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Docket # 99-11

Statement before the Federal Communications
Commission's Public Hearing Entitled:
"Overcoming Obstacles to Telephone Service for
Indians on Reservations"

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Mr. Chairman, Commissioner Tristani and Panel Members:

My name is Arthur P. Martinez and I am the Special Projects Manager for Western New Mexico Telephone Company, Inc. ("Western"). I also serve as Vice-President for the New Mexico Exchange Carriers Group ("NMECG").

BACKGROUND AND INFORMATION

On behalf of my company I take great pride in reporting that the citizens of the Alamo Chapter of the Navajo Reservation have access to one of the most modern telecommunications infrastructure in the nation as do all of Western's customers. Western provides service to approximately 145 residential and 50 business customers of an estimated 325 Alamo households. This equates to an estimated 45% penetration of occupied housing units.¹ Our engineering department estimates that Western's facilities are in the vicinity of 90% of the households.

There are factors that exist today that may present a barrier between Western's modern infrastructure and the citizens of the Alamo Reservation. There are also factors that will present themselves in the coming years which may affect telephone penetration on the Alamo Reservation. Many of these factors are laws or rules, or processes that result by law or rule, over which Western has little control. Western will continue to try to influence those who have the ability to change these factors.

Western will celebrate its 25th year of providing quality, reliable, high capacity communication services throughout southwestern New Mexico in the coming year. The Company was established as a commercial company in 1974 through the purchase of Mogollon Mountain Telephone Company. At that time there were 576 customers in the four exchanges of Cliff, Glenwood, Reserve and Luna. In 1980, the Magdalena, Datil and Quemado exchanges were purchased, and in 1984, Lordsburg and the Mimbres Valley exchanges were added. Western services approximately 6,000 customers over 15,000 square miles throughout the counties of Catron, Grant, Hidalgo, Luna and Sierra.

The Company deploys state-of-the-art digital switches in each of its exchanges that are connected by approximately 3,670 route miles of buried cable, 330 miles of microwave facilities and 420 miles of fiber cable. This translates to 0.39 access lines per square mile and 1.60 subscribers per route mile. These factors are major contributors to the high cost of operating Western in such a remote part of the state. By the end of this year Western will add 20 miles of fiber to their existing fiber backbone. The additional fiber will facilitate a fiber-to-fiber connection to the Rio Grande corridor in the northeast section of our serving

¹ All calculations were derived or based on figures provided in the "Navajo Nation profile, Spring 1995".

territory and will enhance our fiber-to-fiber connection in the south along the I-10 corridor.

Jack W. Keen, Western's CEO and President, recognized that other opportunities existed, and coupled with his desire to deliver enhanced quality services in this rural section of New Mexico formed an affiliate company, WNM Communications Corporation, Inc. (WNMC) in 1996. WNMC became an Internet Service Provider and rolled out the core service in March 1997. At that time Western provided two dial-up Internet access accounts per school in its serving territory at no cost to the schools. In August 1997 Western began the process of educating the school districts about the pending School and Library Fund. To date, Western has successfully assisted four of the school districts in our serving territory in obtaining federal support.

Western's infrastructure is a necessity to those residing in our serving territory. Western has diligently spent the last 25 years upgrading its infrastructure for the benefit of all its customers. Federal programs like Universal Service Fund, the Rural Utility Service, and the Lifeline and Link-up America programs have played a vital role in this endeavor. Western's tariffed rate for basic local exchange service is \$18.25 per month. When combined with the subscriber line charge and optional features, the average local exchange rate on the Alamo reservation is approximately \$23.00 per month. The current federal universal service support mechanism computes payments for Western's entire service territory. Therefore, it is not possible to determine the amount of universal service support Western receives to serve the Alamo or any specific geographic area in Western's territory. Western receives universal service based on its actual average cost to provide service to its customers, including those at the Alamo.

At the state level Western is also actively participating in the state's expanded role as a result of the enactment of the Federal Telecommunications Act of 1996. To the best of Western's management's knowledge, New Mexico does not differentiate between carriers serving reservations and those not serving reservations when it comes to explicit or implicit support. Furthermore, there is no differentiation between customers located on reservations versus non-reservation areas to qualify for explicit low-income support. In Western's territory, the explicit lifeline and link-up support mechanisms are both available for all qualifying customers at the maximum support levels. Therefore, Western provides all qualifying lifeline customers the lifeline credit of \$10.50 per month for an access line and the maximum discount off qualifying installations through the link-up program. Western currently serves 29 LITAP or Link-Up customers on the Alamo reservation.

The Present Situation

New Mexico does not have any carrier currently drawing explicit state universal service funds due to the regulatory requirements and restrictions associated with

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the state fund. To our knowledge, New Mexico's implicit support mechanisms are not targeted to carriers serving reservations. Implicit subsidies are by definition impossible to associate with a specific product for geographical area, such as a reservation. Western, through its involvement with the NMECG, is proposing legislation that we believe will provide incentives for carriers to participate in the state high cost fund.

In addition to the federal and state telecommunications regulatory issues, there are barriers which exist that make it burdensome and time consuming for the Native American end-user that do not necessarily exist in non-Native American areas of the state. When Western receives a request for service from an Alamo citizen that requires facilities to be built, the resulting permit process is tedious and in many cases can take up to a year to complete. It is a process that begins with the Navajo Tribal Council and ends with the Bureau of Indian Affairs. Western's engineers have in certain situations, to the extent allowed by tribal law, provided assistance to a particular end-user that desires to dig their own trench in order to circumvent the permit process. Western is sensitive to Native American culture and government and we would welcome any changes to the existing permit process if it is the desire of the Native American community to do so. Changes that will expedite the permit process will help Western to extend facilities to a greater percentage of the Navajo community.

Future Considerations

Universal Service is a crucial element in any discussion about telephone penetration in rural America and rural Native America. Investment by rural telecommunications carriers within the state has been a direct result of federal and state support mechanisms. Competition will no doubt bring about infrastructure development, product innovation, and cheaper rates, but will the competitive market provide these results to all on an equitable basis? Will competition address telephone penetration for the Alamo reservation without intervention from state and federal regulatory agencies? Western believes the answer to be no in the short term, but certainly possible in the long term.

Therefore, as the telecommunications industry moves to a more competitive deregulated environment it is Western's hope that the state considers carefully the public interest when making a determination of whether to designate more than one universal service, eligible carrier, for any rural market. The state must also provide assurances that rural carriers are able to fully recover their costs for providing such service. Cost recovery will be an extremely important issue for not only rural Native Americans but all rural citizens as the FCC places greater and greater responsibility on the state to provide support mechanisms which must ensure the preservation of the rural markets.

Conclusion

In closing, Western as well as the other independent local exchange carriers are watching closely as changes to traditional federal programs are being considered. Western has positioned itself at the heart of the national rural debate by taking part in the Rural Task Force. Evelyn Cornwall Jerden, Director of Separations for Western, has served on the Rural Task Force since its inception. Her role is to advocate policies to maintain telephone rates that are reasonable and affordable to customers located in the most rural portions in this nation such as those served by Western. This effort by Western and other rural carriers will no doubt impact the Native American citizens living and working in rural America.